

Internal Revenue Service

District
Director

Department of the Treasury

230 South Dearborn Street
Chicago, Illinois 60604

Employer Identification Number:
[REDACTED]

Person to Contact:
[REDACTED]

Telephone Number:
[REDACTED]

Refer Reply to:
Internal Revenue Service
P.O. Box A-3290 DPN 22-3
Attn: Chief, EP/EO Review Staff
Chicago, IL 60690

CERTIFIED
2745 024 718

Date: FEB 28 1996

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code.

Your Articles of Incorporation state that you were incorporated on [REDACTED] under the laws of the State of [REDACTED]. Your stated purpose is to provide social activities involving the operation of motorcycles for pleasure of the members and to promote the safe and enjoyable use of motorcycles for membership.

In furtherance of your purpose, you conduct public dances, poker runs, baseball games, a Christmas party and a summer picnic. You also get together to go on weekend rides to enjoy the sport of motorcycling. You state that all these activities are open to non-members.

Information submitted by you indicates that over [REDACTED]% of your income will come from non-member involvement in the activities of your club.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

EP/EO: Rf: JM: 2/28/96

Public Law 94-568, enacted October 20, 1976, states that social clubs are permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their membership. However, not more than 15 percent of the gross receipts may be derived from the use of a club's facilities or services by the general public. Social clubs may receive the full 35 percent of their gross receipts from investment income sources (reduced by any amount of non-member income up to the 15 percent).

Since the general public is invited to your social and recreational events and your receipts therefrom are a substantial part of your total income, it is evident that you are not operating as a social club within the intendment of Section 501(c)(7) of the Code.

Accordingly, you do not qualify for exemption from Federal income tax under Section 501(c)(7) of the Code. You are, therefore, required to file Federal income tax returns.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018